

Message Text

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ACTION STRE-00

INFO OCT-01 ARA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 /124 W
-----097143 131521Z /41

R 131101Z MAY 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 7500
INFO USMISSION GENEVA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 1 OF 5 BRASILIA 3853

PASS STR ELECTRONICALLY FOR AMB WOLFF

GENEVA FOR MTN

E.O. 11652: N/A
TAGS: ETRD, MTN, BR
SUBJECT: US-BRAZIL SUB-GROUP ON TRADE (AMB WOLFF'S MEETING
WITH MIN OF INDUSTRY/COMMERCE, MAY 8)

1. SUMMARY. AMB WOLFF'S CALL ON GOB MINISTER OF INDUSTRY
AND COMMERCE CALMON DE SA EVOLVED INTO AN EXTENDED DIS-
CUSSION OF BRAZIL'S POSITION IN THE MTN. CALMON DE SA
ARGUED THAT BRAZIL WAS STILL AN LDC AND NEEDED SPECIAL
CONCESSIONS, AND THAT BRAZIL'S FOREIGN DEBT AND CONSEQUENT
NEED TO EXPORT JUSTIFIED BRAZIL'S SCHEME OF IMPORT SUB-
SIDIES AND IMPORT RESTRICTIONS. HE REVIEWED BRAZIL'S
IMPORT REGIME AND CONCLUDED THAT IT WAS NOT AS RESTRICTIVE
AS GENERALLY THOUGHT IN THE US. AMB WOLFF STRESSED THE
URGENT NEED TO MOVE AHEAD ON THE MTN, ESPECIALLY IN
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REGARD TO THE SUBSIDIES AND CVD QUESTIONS. CALMON
DE SA ARGUED THAT THE TWO COUNTRIES COULD PURSUE
THIS QUESTION BILATERALLY IF THE MTN FAILED TO
RESOLVE IT AND PROFESSED OPTIMISM THAT A
SOLUTION WILL BE FOUND. AMB. WOLFF NOTED THE CONCERN
OF US FIRMS REGARDING ASSURANCES OF CONTINUED ACCESS
TO THE BRAZILIAN MARKET. BILATERAL ISSUES WERE

TOUCHED UPON ONLY BRIEFLY. END SUMMARY.

2. FOLLOWING IS AN UNCLEARED ACCOUNT OF AMBASSADOR WOLFF'S MEETING WITH MINISTER OF INDUSTRY AND COMMERCE CALMON DE SA ON MONDAY, MAY 8, AT 6:30 P.M. OTHERS PRESENT INCLUDED ON THE BRAZILIAN SIDE, MINISTER BOTAFOGO, CHIEF OF THE FOREIGN MINISTRY'S TRADE POLICY DIVISION AND DR. LAURO BARBOSO OF CONCEX (NATIONAL FOREIGN TRADE COUNCIL AND ON THE US SIDE, CHARGE JOHNSON, DAS BAR-RACLOUGH, AND E/C COUNSELOR RUSER.

3. OPENING THE DISCUSSION, CALMON DE SA ASKED WHAT THE US THOUGHT OF THE BRAZILIAN OFFER FOR THE MTN NEGOTIATIONS. WOLFF RESPONDED THAT THE DAY'S TALKS HAD BEEN GOOD, THAT THE TWO SIDES WERE WORKING THEIR WAY TO A NEGOTIATION, BUT THAT IT WAS ONLY A BEGINNING. IF BRAZIL FOLLOWED THROUGH ON THE GUIDELINES DESCRIBED BY MINISTER PROENCA ROSA (HEAD OF THE BRAZILIAN DELEGATION; SEE SEPTEL ON MAY 8 MORNING SESSION OF US-BRAZIL SUB-GROUP ON TRADE) THE GOB WOULD NOT BE MEETING ANY OF THE US REQUESTS. THIS WOULD HAVE A CHILLING EFFECT, AND THE US COULD NOT MAINTAIN ITS OWN OFFER. THE MINISTER UNDOUBTLY UNDERSTOOD THIS.

4. CALMON DE SA SAID THE BRAZILIAN PROPOSAL HAD NOT BEEN AN EASY EFFORT, ESPECIALLY IN VIEW OF BRAZIL'S LIMITED OFFICIAL USE

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BOP SITUATION. WOLFF SAID HE WISHED HE COULD OFFER A SIMILAR PROPOSAL SINCE THE US HAD SERIOUS BALANCE OF PAYMENTS PROBLEMS AS WELL.

5. CALMON DE SA REPLIED THAT THERE WAS A DIFFERENCE; BRAZIL CANNOT ISSUE DOLLARS. BRAZIL'S TARIFFS, THE MINISTER CONTINUED, WERE NOT AS HIGH AS WRITTEN. THE GOB HAD MANY WAYS TO GIVE INCENTIVES AND REDUCTIONS FOR APPROPRIATE INVESTMENT PROJECTS, INCLUDING SUBSTANTIAL REDUCTION OR ELIMINATION OF TARIFFS ON IMPORTED EQUIPMENT. THESE WERE NOT, IT WAS TRUE, PERMANENT BOUND REDUCTIONS; THE FACT WAS, HOWEVER, THAT BRAZIL GIVES THESE CONCESSIONS ON A VERY LARGE PORTION OF ITS DUTYABLE IMPORTS. CALMON DE SA CONTINUED THAT A REVIEW OF THE RECORD OF BRAZIL'S IMPORTS MIGHT MAKE IT EASIER TO UNDERSTAND THE GOB'S POSITION. IN 1973 (BEFORE THE ARAB OIL EMBARGO) THE GOB HAD REDUCED ALL TARIFFS ON ITS OWN INITIATIVE AS AN ANTI-INFLATIONARY MEASURE; MANY TARIFFS HAD BEEN ELIMINATED ENTIRELY. WHEN THE OIL CRISIS STRUCK, BRAZIL WAS CAUGHT WITH ITS DOORS COMPLETELY OPEN. WHILE OTHERS HAD BEEN FOLLOWING RESTRICTIVE POLICIES, BRAZILIAN

TARIFFS WERE WELL BELOW NORMAL. THE RESULT WAS THAT BRAZILIAN IMPORTS INCREASED STEEPLY FROM \$6.2 BILLION IN 1973 TO \$12.6 BILLION IN 1974. ONLY ABOUT \$2.5 BILLION OF THIS WAS ACCOUNTED FOR BY PETROLEUM; SOME \$4 BILLION REPRESENTED AN INCREASE IN NON-PETROLEUM IMPORTS. SO BRAZIL'S MARKET HAD BEEN WIDE OPEN. IT TOOK THE NEW ADMINISTRATION (PRES. GEISEL 1974-79) SOME TIME TO ORGANIZE ITSELF AND DECIDE WHAT TO DO.

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-----096655 131521Z /41

R 131101Z MAY 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 7501
INFO USMISSION GENEVA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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PASS STR ELECTRONICALLY FOR AMB WOLFF

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6. CALMON DE SA SAID HE WAS MENTIONING THIS TO EMPHASIZE THE POINT THAT CLOSING BRAZIL'S MARKET TO IMPORTS WAS NOT IN THE BRAZILIAN TRADITION. BRAZIL DID NOT HAVE THE MENTALITY FOR IT; IT WAS BAD FOR THE CONSUMER AND BAD FOR INDUSTRY. HE HAD MENTIONED THE EXAMPLE OF 1973 WHICH WAS NOT SO FAR OFF TO ILLUSTRATE BRAZIL'S GOAL. THE GOB HAD MOVED ON ITS OWN. AS MINISTER OF INDUSTRY AND COMMERCE HE WAS GETTING MORE AND MORE CONCERNED ABOUT THE LEVEL OF PROTECTION IN CERTAIN SECTORS OF INDUSTRY.

7. AMB WOLFF INTERJECTED THAT WE WOULD LIKE TO GIVE

BRAZIL AN OPPORTUNITY TO REDUCE ITS IMPORT BARRIERS.
CALMON DE SA RESPONDED THAT IN GENERAL REDUCTION WAS
POSSIBLE BUT CERTAIN SECTORS WERE NOT READY FOR INTER-
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NATIONAL COMPETITION. AMB WOLFF SAID THE
IMPRESSION IN US INDUSTRY WAS THAT BRAZIL WAS A HIGHLY
PROTECTED AND UNSTABLE MARKET. IF A SALES AND EXPORT
EFFORT SUCCEEDED THERE WAS ALWAYS A GOOD POSSIBILITY
THAT IMPORT POLICY MIGHT BE CHANGED TO FRUSTRATE IT.
CALMON DE SA SAID HE WAS QUITE AWARE OF THIS. HE HAD TRIED
TO CORRECT THIS MISIMPRESSION WHEN VISITING THE US A FEW
MONTHS AGO.

8. AMB. WOLFF ASKED ABOUT THE LAW OF SIMILARS, NOTING
THAT OUR UNDERSTANDING OF THIS MEASURE HAD APPARENTLY
NOT BEEN FULLY CORRECT. CALMON DE SA SAID THE LAW WAS
REALLY VERY FAIR. IF THE CDI (GOB INDUSTRIAL DEVELOP-
MENT COUNCIL) APPROVED A PROJECT, AND IF THE IMPORTED
EQUIPMENT WAS APPROPRIATELY FINANCED WITH LOANS OF
MORE THAN 5 YEARS, THE INVESTOR COULD BUY THE EQUIP-
MENT IN THE US AND BRING IT INTO BRAZIL WITHOUT DUTY.
OF COURSE, IN ALL CASES THE REQUIREMENTS OF THE LAW OF
SIMILARS HAD TO BE MET, BUT THE LAW WAS VERY FAIR. THE
IMPORTED EQUIPMENT WAS NOT ELIGIBLE FOR EXEMPTION FROM
IMPORT DUTY IF A SIMILAR PRODUCT WAS AVAILABLE IN
BRAZIL OF APPROXIMATELY THE SAME PRICE AND QUALITY.
HE SAID APPLICATION OF THIS LAW HAD BECOME MUCH MORE
LIMITED. IN 1975-1976, BEFORE HE TOOK OFFICE, THE
GOB HAD ACCEPTED ALMOST ANY CLAIM FROM A BRAZILIAN
MANUFACTURER THAT HE COULD PRODUCE A SIMILAR PRODUCT.
NOW THE GOVERNMENT WAS TAKING A MUCH CLOSER LOOK AT
THESE CLAIMS, AND THIS WAS AN IMPORTANT MOVE.

9. AMB WOLFF SAID IF THE USG SHOULD WISH TO ACCEPT THIS
APPROACH IT WOULD HAVE NO DIFFICULTY IN GAINING
ACCEPTANCE FOR IT FROM US INDUSTRY. BRAZIL WAS
EXPORTING AUTO ENGINES TO THE US; BUT US MANUFACTURERS
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ARGUED THE US WAS SELF-SUFFICIENT IN
AUTO ENGINES. SIMILARLY, BRAZIL WANTED TO EXPORT
FOOTWEAR; BUT THE US FOOTWEAR INDUSTRY CONSIDERED
ITSELF FULLY CAPABLE OF MEETING US INTERNAL DEMAND.
WHAT CALMON DE SA HAD DESCRIBED AS A RATIONAL APPROACH
TO DEVELOPMENT WAS NOT A BASIS FOR KEEPING THE US

MARKET OPEN TO BRAZILIAN PRODUCTS. THE US ADMINISTRATION
WANTED THE US PRIVATE SECTOR TO FEEL THEY HAD A STAKE IN
THE BRAZILIAN MARKET. IT WAS IMPORTANT THAT THE GOB
KEEP ITS MARKET OPEN, IF TO A LESSER EXTENT THAN
THE USG IS KEEPING THE AMERICAN MARKET OPEN. CALMON
DE SA NOTED BRAZIL'S SUBSTANTIAL CURRENT ACCOUNT
DEFICIT AND THE NEED TO INCREASE BRAZIL'S EXPORTS TO REDUCE
THE GROWTH OF EXTERNAL INDEBTEDNESS.

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SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 /124 W
-----096833 131522Z /41

R 131101Z MAY 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 7502
INFO USMISSION GENEVA
AMCONSUL RIO DE JANEIRO
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PASS STR ELECTRONICALLY FOR AMB WOLFF

GENEVA FOR MTN

10. AMB WOLFF ASKED WHY, IF BRAZIL HAD A COMPETITIVE
ADVANTAGE IN CERTAIN PRODUCTS, BRAZIL NEEDED TO RESORT
TO EXPORT SUBSIDIES. CALMON DE SA SAID THAT FACTORS
SUCH AS TRANSPORTATION COSTS, TAXES, AND SOCIAL
CHARGES HAD TO BE CONSIDERED. AMB WOLFF SAID
SUBSIDIES MEANT THAT A FIRM DID NOT MEET ITS SHARE
OF THE COSTS OF SOCIETY, AND FOR THIS REASON WE OP-
POSED THEM. CALMON DE SA SAID THERE WERE MANY
KINDS OF SUBSIDIES; QUITE A FEW OF THEM WERE EVEN
BEING PRACTICED BY THE US. FOR EXAMPLE, THE US PRO-
VIDED A FREIGHT SUBSIDY, WHILE BRAZIL HAD DIFFICULTY

EXPORTING BECAUSE OF FREIGHT COSTS. LOOKING AT JAPAN THERE COULD BE NO DOUBT THAT SUBSIDIES WERE RIFE; JAPAN WAS OFFERING PRICES BELOW COST, EVEN THOUGH IT WAS VERY DIFFICULT TO SAY EXACTLY HOW THE LIMITED OFFICIAL USE

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SUBSIDIES WERE GIVEN. SIMILARLY THE EUROPEANS WERE RESORTING TO SUBSIDIES ON A LARGE SCALE; FOR EXAMPLE, THEY WERE OFFERING A TREMENDOUS SUBSIDY ON THEIR SUGAR EXPORTS BUT NOBODY HAD COMPLAINED TO THE EUROPEANS ABOUT THESE NUMEROUS EUROPEAN SUBSIDY PRACTICES. AMB WOLFF REPLIED THAT THIS CERTAINLY WAS NOT TRUE OF THE US AND RECALLED US ACTION ON HAM AND CHEESE AS EXAMPLES.

11. RETURNING TO MTN ISSUE, AMB WOLFF STRESSED THAT WE NEEDED TO MOVE QUICKLY TO BRING THEM TN TO A SUCCESSFUL CONCLUSION. THERE WAS A VERY DARK FEELING IN CONGRESS AND VERY LITTLE SUPPORT FOR THE NEGOTIATIONS. DAS BARRACLOUGH NOTED THAT WE NEEDED TO FIND A BILATERAL ACCOMMODATION ON THE EXPORT SUBSIDY QUESTION. CALMON DE SA EXPRESSED CONFIDENCE THAT BRAZIL AND THE UNITED STATES WOULD BE ABLE TO SOLVE THIS PROBLEM. THEY WOULD DO SO BILATERALLY IF NO SOLUTION COULD BE FOUND IN THE MTN. AMB WOLFF STRESSED THAT THE US WILL HAVE NO FLEXIBILITY WHEN THE CVD WAIVER AUTHORITY EXPIRED NEXT YEAR. THE EXECUTIVE BRANCH WOULD HAVE TO GO TO THE US CONGRESS FOR APPROVAL OF ANY BILATERAL SUBSIDY AGREEMENT, AND A SINGLE AGREEMENT WOULD BE SUBJECT TO AN ENORMOUS AMOUNT OF SCRUTINY. THEREFORE, IT WAS MUCH BETTER TO NEGOTIATE A MULTILATERAL CODE.

12. CALMON DE SA PROFESSED TO BE OPTIMISTIC. HE CONCEDED THAT HE HAD NO MAGIC FORMULA BUT WAS CONFIDENT MATTERS COULD BE WORKED OUT BILATERALLY IF NOTHING COULD BE NEGOTIATED IN GENEVA BEFORE THE END OF THE YEAR. BRAZIL AND THE US WOULD WORK OUT A FORMULA. AMB WOLFF SAID SECRETARY BLUMENTHAL AND LIMITED OFFICIAL USE

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ASSISTANT SECRETARY BERGSTEN WERE QUITE CONCERNED ABOUT THIS ISSUE. IT WAS NECESSARY THAT WE MOVE AHEAD ON IT. CALMON DE SA SAID BRAZIL WAS QUITE AWARE OF THESE CONCERNS BUT HE REMAINED OPTIMISTIC. WORKING RELATIONS BETWEEN THE US TREASURY AND THE

MINISTRY OF FINANCE WERE EXCELLENT. SOMETHING WOULD BE WORKED OUT, IF NOT IN GENEVA, THEN BILATERALLY. PERHAPS HE HAD AN INCORRECT IMPRESSION.

13. AMB WOLFF SAID SECRETARY BLUMENTHAL AND ASSISTANT SECRETARY BERGSTEN WERE QUITE EAGER TO ADDRESS THE SUBSIDIES PROBLEM IN GENEVA. CALMON DE SA SAID PERHAPS HE HAD AN INCORRECT IMPRESSION ABOUT THE STATUS OF THIS ISSUE IN THE MTN, BUT HE REMAINED OPTIMISTIC.

14. AMB WOLFF NOTED THE IMPORTANCE OF CERTAINTY OF ACCESS TO THE BRAZILIAN MARKET. HE SUGGESTED THAT THERE WERE THINGS BRAZIL COULD DO WHICH WOULD HAVE

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R 131101Z MAY 78
FM AMEMBASSY BRASILIA
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PASS STR ELECTRONICALLY FOR AMB WOLFF

GENEVA FOR MTN

LITTLE IMMEDIATE TRADE EFFECT BUT WHICH WOULD GIVE THIS ASSURANCE TO US EXPORTERS. CALMON DE SA COUNTERED BY NOTING THE "CONSIDERABLE" REDUCTION IN THE NUMBER OF ITEMS STILL SUBJECT TO THE IMPORT DEPOSIT. ON THE OTHER HAND, HE DID NOT THINK BRAZIL WOULD BE ABLE TO COMMIT ITSELF IN GENEVA TO ELIMINATING ADDITIONAL PRODUCTS

FROM THE PRIOR DEPOSIT. THE GOB HAD TO CONSIDER BRAZIL'S BALANCE OF PAYMENTS SITUATION. THE REMOVAL OF ADDITIONAL ITEMS WOULD BE VERY GRADUAL, BUT AT LEAST BRAZIL WAS MOVING FORWARD IN THIS REGARD.

15. AMB WOLFF NOTED THAT IN THE MAY 9 SUB-GROUP SESSION THE US WOULD RAISE SPECIFIC PRODUCT CONCERNS, INCLUDING AIRCRAFT AND FRUIT. CALMON DE SA SAID THAT IN THE CASE OF APPLES AND PEARS, THE RESTRICTION HAD NEVER LIMITED OFFICIAL USE

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BEEN FOR BOP REASONS. ALTHOUGH FAR FROM SELF-SUFFICIENT IN APPLES, BRAZIL'S PRODUCTION WAS INCREASING. AMB WOLFF NOTED THE PARTICULARLY NEGATIVE EFFECT OF BRAZILIAN RESTRICTIONS ON FRUIT AND AIRCRAFT ON IMPORTANT VOTING BLOCS IN THE US WHICH TRADITIONALLY SUPPORTED FREE TRADE -- AGRICULTURE AND THE AIRCRAFT INDUSTRY.

16. CALMON DE SA STRESSED THAT THE US STILL HAD A TRADE SURPLUS WITH BRAZIL, LAST YEAR'S REDUCTION BEING ATTRIBUTABLE TO HIGH COFFEE PRICES. WHILE HE UNDERSTOOD US DOMESTIC POLITICAL DIFFICULTIES, THE US SHOULD REALIZE THAT THE GOB HAD ITS OWN POLITICAL DIFFICULTIES. FOR INSTANCE, BRAZILIAN SHOEMAKERS FIND IT DIFFICULT TO UNDERSTAND WHY BRAZILIAN SHOE EXPORTS TO THE US SHOULD BE SUBJECT TO A US COUNTERVAILING DUTY WHEN BRAZIL STILL HAS A SIZEABLE DEFICIT WITH THE US. HE HAD TALKED TO US CONGRESSMEN ABOUT THIS AND HE HAD FOUND THEM QUITE RECEPTIVE; THE US TRADE PROBLEM WAS NOT WITH BRAZIL BUT WITH JAPAN. UP TO 1969 BRAZIL HAD A PERMANENT TRADE SURPLUS WITH THE US WHILE IN RECENT YEARS IT HAD RUN A CUMULATIVE 5 TO 6 BILLION DOLLAR DEFICIT, AT THE SAME TIME THAT THE US HAD RUN A DEFICIT WITH THE REST OF THE WORLD. BRAZIL, THUS, HAD MADE AN IMPORTANT CONTRIBUTION TO THE EASING OF THE US BALANCE OF PAYMENTS PROBLEM, TO WHICH AMB WOLFF INTERJECTED THAT THE BRAZILIAN ECONOMY HAD GAINED CONSIDERABLE BENEFITS FROM THIS.

17. CALMON DE SA SAID THE BRAZILIAN CASE COULD BE REDUCED TO THREE BASIC POINTS. FIRST, BRAZIL HAD A TRADE DEFICIT ON A GLOBAL BASIS AND BILATERALLY WITH THE US. SECOND, BRAZIL MUST REDUCE ITS CURRENT AC-LIMITED OFFICIAL USE

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COUNT DEFICIT AND THUS ITS EXTERNAL FINANCING REQUIRE-
MENT. THIRD, TO USE 1974 AS A BASE PERIOD WAS WRONG;
USING 1973 AS A BASE, BRAZIL HAD INCREASED ITS IMPORTS
IMPRESSIVELY. THE GOB KNEW THAT IT WAS NOT POSSIBLE
PERMANENTLY TO PROTECT ITS INDUSTRIES, BUT IT WAS
FACING PRESSURES FROM MULINATIONALS AS WELL AS
NATIONAL FIRMS NOT TO ALLOW IMPORTS TO ENTER THE
MARKET. THE PRESENT WORLD SITUATION WAS NOT AN
EASY ONE FOR LDCS. BRAZIL'S PER-CAPITA INCOME
REAMINED LOW; MORE THAN 30 MILLION BRAZILIANS HAD A
PER-CAPITA INCOME ROUGHLY HALF OF THE NATIONAL AVERAGE.
ABOVE ALL, THE GOB COULD NOT PERMIT DISRUPTION OF BRAZIL'S
BALANCE OF PAYMENTS. BRAZIL HAD TO BORROW, BUT ITS
DEBT RATIO MUST BE STABILIZED AND TO DO SO BRAZIL
MUST RUN A TRADE SURPLUS. GIVEN THE RAPID
GROWTH OF ITS POPULATION, BRAZIL NEEDS TO CONTINUE
TO INVEST. HE SAID THAT OVER THE NEXT SEVERAL YEARS,
BRAZIL WILL HAVE TO ACCEPT A LOWER RATE OF GROWTH
(5 -6 PERCENT) IN ORDER TO IMPROVE ITS BALANCE OF

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GENEVA FOR MTN

PAYMENTS. THE ONLY GOOD CHANCE OF DOING THIS WAS CONTINUED ACCESS TO BRAZIL'S TRADITIONAL MARKETS AND THE OPENING OF NEW MARKETS IN AFRICA AND THE MIDDLE EAST. IN BOTH OF THESE REGIONS, HOWEVER, COUNTRIES WISH FOR POLITICAL REASONS TO BUY MORE FROM BRAZIL, BUT THE TRADITIONAL SUPPLIERS (THE US AND EUROPE) WERE FIRMLY ENTRENCHED, AND TRADE PATTERNS WERE DIFFICULT TO CHANGE.

18. AMB WOLFF SAID WE HAD THE OPPORTUNITY OVER THE NEXT SEVERAL MONTHS TO INFLUENCE TRADE FOR A LONG TIME TO COME. IF WE DO NOT SUCCEED, THE DIFFICULTIES WOULD BE OVERWHELMING. CALMON DE SA REPLIED THAT THE ROLE OF THE US, THE EC AND JAPAN WOULD BE CRITICAL; IF THEY DID NOT MOVE IN THE RIGHT DIRECTION, EVERYONE WOULD LOOSE. LIMITED OFFICIAL USE

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AMB. WOLFF SAID OUR IMPRESSION HAD BEEN THAT BRAZIL WANTED TO "SIT BACK" RATHER THAN NEGOTIATE, AND HAD A FEW PHILOSOPHICAL IDEAS AT THE END OF THE NEGOTIATIONS. HE HAD BEEN HEARTENED, HOWEVER, BY THE TALKS THAT MORNING, WHICH INDICATED THAT BRAZIL WOULD TAKE A MORE ACTIVE ROLE.

19. CALMON DE SA SAID THAT BRAZIL WAS PREPARED TO WORK HARD TO SEE WHETHER IT WAS POSSIBLE TO DEVELOP A POSITION. HE THOUGHT THE US SIDE IN THE END WOULD NOTICE SOME PROGRESS AND FLEXIBILITY ON BRAZIL'S PART. IN THE END, BRAZIL AND THE US HAD A COMMON INTEREST. HE ADMITTED THAT THERE WERE SOME DIFFERENCES OF VIEWS WITHIN THE GOB ON THIS, BUT HE SAID THE GENERAL FEELING WAS AS HE DESCRIBED IT. HE REITERATED THAT BRAZIL WAS STILL IN LDC AND SO IT WAS NATURAL THAT IT WOULD LIKE TO SEE WHAT THE OTHERS -- THE US, EC AND JAPAN -- HAVE TO OFFER. HE COMMENTED THAT DURING PRES. GEISEL'S VISIT TO WEST GERMANY, HE (CALMON DE SAL HAD DISCUSSED THE MTN WITH THE GERMANS. THE FRG HAD PROFESSED TO BE FOR FREE TRADE, BUT IT WAS "HARD TO KNOW HOW FAR THEY WOULD GO; THEY ALWAYS PLEAD THE CONSTRAINTS PLACED UPON THEM BY THE EC." IT WAS HIS CONCLUSION, HOWEVER, THAT THE GERMANS SIMPLY DID NOT WANT TO RUN A DEFICIT; THEY WANTED TO KEEP THEIR SURPLUSES, BUT THIS DID NOT HELP TO SOLVE THE WORLD'S TRADE PROBLEMS.

20. CALMON DE SA SAID THE BRAZILIAN ATTITUDE WAS TO COOPERATE. THE BRAZILIAN POSITION WOULD NOT BE WHAT THE US WOULD LIKE, BUT IT WOULD REPRESENT PROGRESS. IT WAS IMPORTANT THAT THE WORLD AVOID GOING EVEN FURTHER IN THE DIRECTION OF PROTECTIONISM. IN THE CASE OF BRAZIL,

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MEASURES WERE BEING TAKEN TO REDUCE IMPORT BARRIERS BUT,
IN DOING THIS, BRAZIL WAS CONCERNED ABOUT THE
DIRECTION THE DCS WERE TAKING -- MORE QUOTAS, MORE
COUNTERVAILING DUTIES -- AND BRAZIL WAS SOMEWHAT
CONCERNED ABOUT "GIVING MORE THAN IT IS RECEIVING".
AMB WOLFF SAID THAT OUR OFFER LIST TO BRAZIL DID NOT EMBARRASS
US. WE WERE OFFERING BRAZIL A 45 TO 46 PERCENT CUT
AS COMPARED WITH AN AVERAGE OF 26 PERCENT FOR LDCS
AS A WHOLE. THE US WAS OFFERING SMETHING SUBSTANTIAL,
BUT WE WOULD HAVE TO WORK HARD AND RECEIVE
COOPERATION FROM OTHER PARTIES TO KEEP IT THAT
WAY. CALMON DE SA CONCLUDED BY SAYING THAT HE
AGREED BRAZIL AND THE US WOULD HAVE TO WORK HARD IN
THE XTN, BUT IF OUR TWO COUNTRIS COULD NOT REACH AN
UNDERSTANDING, NO ONE WOULD.
JOHNSON

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Message Attributes

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Capture Date: 01 jan 1994
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Current Classification: UNCLASSIFIED
Concepts: TRADE, DIPLOMATIC DISCUSSIONS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRASIL03853
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780203-1011
Format: TEL
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780561/aaaabzvp.tel
Line Count: 570
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Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 981c969f-c288-dd11-92da-001cc4696bcc
Office: ACTION STRE
Original Classification: LIMITED OFFICIAL USE
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Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2699610
Secure: OPEN
Status: NATIVE
Subject: US-BRAZIL SUB-GROUP ON TRADE (AMB WOLFF'S MEETING WITH MIN OF INDUSTRY/COMMERCE, MAY 8)
TAGS: ETRD, BR, US, MTN
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/981c969f-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014